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SUBJECT: NETHERLANDS: PREPARATION FOR EU AND G20 SUMMITS

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¶1. Summary: Dutch MFA officials noted that the financial crisis will feature prominently in the February meeting of the EU General Affairs and External Relations Council (GAERC) and will be the central focus of the March 16-17 GAERC. The EU will use both meetings to prepare for the European Council summit on March 19-20, which in turn will prepare EU positions for the G20 summit on April 12. The Dutch, as well as the Spanish, have been invited to the G20 summit; Dutch Prime Minister Balkenende will attend. The Dutch expect the European Council to focus on banking supervision, credit rating agencies, and the Commission's stimulus package. The Netherlands' main message at the G20 summit will be a "plea for open markets" and warnings against what the Dutch see as rising protectionism in the U.S. and EU. End summary.

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Preparing for the European Council and G20 Summits  
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¶2. Dutch Ministry of Foreign Affairs officials briefed officers from the U.S. and other foreign embassies February 20 on Dutch positions for the February 23-24 meeting in Brussels of the EU General Affairs and External Relations Council (GAERC). Economic discussions will feature prominently in the February GAERC and will be the central focus of the March 16-17 GAERC. EU Member States will use both GAERC meetings to prepare for the European Council's spring meeting of EU leaders, March 19-20 in Brussels, at which the European economic recovery plan is again expected to dominate. (Note: The Czech Presidency has also called an informal meeting of EU leaders in Brussels on March 1 to discuss the economic recovery plan. End note.) According to the Dutch, the goal of the February GAERC is to prepare the agenda for the March European Council summit, with the bulk of preparatory work on summit issues to be done at the March GAERC. The European Council summit, in turn, is expected to prepare EU positions for the G20 summit in London on April 2.

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G20 Invitation  
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¶3. The Dutch MFA confirmed that the British government has invited the Netherlands to participate in the G20 summit. At the invitation of President Sarkozy (during France's EU presidency in fall 2008), the Dutch and Spanish attended the first G20 summit on November 15 in Washington as part of the EU delegation. This time in London, according to the Dutch MFA, the Dutch and Spanish will attend as sovereign states. However, unlike the G20 members who will bring both their heads of state and finance ministers, the Dutch and Spanish will have only one seat for heads of state, with Dutch PM Balkenende attending for the Dutch.

¶4. Balkenende also attended the February 22 meeting in Berlin of

European G20 leaders from Germany, UK, France, and Italy - as well as Spain, the Netherlands, the Czech Republic, and senior EU officials - to prepare for the April event. Balkenende said February 23 that he was pleased that participants agreed to condemn national protectionism, which would be "disastrous" for an open economy like the Netherlands. He added that the IMF has "an essential role" in solving the current crisis, as well as in coordinating cooperation between different countries. Finance Minister Wouter Bos said he had mixed feelings about the results of the Berlin discussion, as he welcomes stricter financial supervision but expects that it will take a long time to achieve. Bos noted that it might be difficult for some EU Member States to comply with non-protectionist measures -- referring especially to France -- and added that "you will have to keep warning Member States about this every week".

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Dutch Expectations for the EU and G20 Summits  
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15. The Dutch expect the European Council summit in March to focus on three major issues related to the European economic recovery plan: (1) banking supervision, (2) credit rating agencies, and (3) the European Commission's stimulus package. Regarding banking supervision, the Dutch MFA noted that EU members agree on the need for better coordination among national supervisory authorities - both within the EU and internationally - but an open question is how formal that coordination should be. EU members have a wide spectrum of options, from informal coordination as simple as a "telephone roster" of EU central bank governors to encourage communication, to formal supervision of all national central banks by the European Central Bank (ECB). Dutch Finance Minister Wouter Bos told parliament February 20 that he does not support such supra-national supervision by the ECB, as it does not fit the Dutch "twin peak model" of banking supervision and undermines the accountability of

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national governments. (Note: The "twin peak model," based on that of Australia, separates the Dutch Central Bank's prudential supervision of banking compliance with financial solvency rules from the supervision of business conduct, which the Netherlands Authority for the Financial Markets performs. End note.)

16. Regarding credit rating agencies, the Dutch will stress at the European Council summit that global rules must be applied here, given the handful of agencies that dominate the international market. The Dutch expect debate at the summit on whether the EU should support such global supervision or rely on an EU-centric system.

17. EU leaders also will decide at the European Council summit whether to support the European Commission's proposed 5 billion euro economic stimulus package, which focuses primarily on infrastructure projects (e.g. wind parks) to promote clean energy in Europe. While the Dutch are not opposed to the Commission's package, they will emphasize that the Commission should reprioritize its spending plans in order to find the 5 billion euro from existing funds, rather than asking Member States to commit additional resources in this time of crisis to an EU-wide initiative. The Dutch also expect the European Council to review some Member States' stimulus packages to promote a cohesive EU-wide response to the economic crisis -- and to prevent individual states from adopting protectionist measures that could harm other members. The Dutch will stress that the packages should not be "one size fits all"; rather, they should be tailored to each member's needs while contributing to overall EU stability. (Note: EU officials recently have criticized Dutch stimulus measures as insufficient, as they do not total at least 1.5 percent of GDP as recommended by the Commission. The Dutch argue, however, that (1) the Commission is not taking into account all of their efforts, (2) they must be conservative when considering new measures because, in a small, open economy like the Netherlands, about 80 percent of such government spending is usually exported out of the country, and (3) the Dutch must continue to focus their rescue efforts on shoring up the financial sector, the lynch pin of their economy. End note.)

¶8. At the G20 summit, the Dutch will stress the need for global measures to address the financial crisis, recognizing that individual countries and even the EU cannot effectively implement their own solutions. The Netherlands' main message will be a "plea for open markets" and warnings against what the Dutch see as rising protectionism in EU Member States, the United States, and many other nations. The Dutch also will argue that the financial crisis should give new impetus to WTO members to successfully conclude the Doha round of trade negotiations. Finally, the Dutch will stress the importance of loosening credit markets in richer less developed countries (LDCs) such as Pakistan. The Dutch argue that these wealthier LDCs have seen credit supplies dry up but are not candidates for the same levels of assistance of which poorer LDCs can take advantage. If richer LDCs like Pakistan are cut off from international money flows, they could slide backward toward increased radicalization. In the Dutch view, regional international banks and credit institutions may be best positioned to assist this stratum of LDCs.

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COMMENT  
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¶9. Comment: An invitation to the G20 summit in London is a major win for the Dutch, who fought hard to be included in the Washington summit. Although not a G20 member, the Netherlands argued successfully in November that the Dutch play a major role in the international financial system; they have a disproportionate amount at stake in the reform of that system; and their expertise should be utilized. Now, with a second invitation, the Dutch likely have assured their seat at the table for future G20 events related to the global financial crisis. At both the EU and G20 summits, we can expect the Dutch to continue calling for international cooperation to build a new supervisory financial system, rather than a piecemeal approach by individual governments. The Dutch also will stress their mantra of open markets, free trade, and anti-protectionism - they were disturbed by the "Buy American" provisions of the new American Recovery and Reinvestment Act and other measures that they fear could introduce a new wave of national protectionism and escalating trade wars. End comment.

¶10. USEU has cleared this message.

GALLAGHER